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RESPONSE TO  
NATIONAL SECURITY STUDY MEMORANDUM #9  
"REVIEW OF THE INTERNATIONAL SITUATION"  
— AS OF 20 JANUARY 1969 —



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THE INFORMATION CONTAINED HEREIN

IS IN RESPONSE TO

NATIONAL SECURITY STUDY MEMORANDUM

NUMBER 9

"REVIEW OF THE INTERNATIONAL SITUATION"

AS OF 20 JANUARY 1969

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I. REPUBLIC OF CHINA

1. How stable is the present Chiang Government? Are there any prospects for its overthrow? What is its present military strength?

(S/NF) The Chiang government has devoted considerable effort to avoid an internal threat to its status. A large, diverse, and pervasive security structure, including military and civilian elements, has been successful in monitoring the activities of the entire population on Taiwan, preventing the formation of any significant leadership or group around which political opposition to the regime might coalesce. The Government of the Republic of China (GRC) has achieved a remarkable record of economic growth and stability, which has provided a significant outlet for the energies of the mainland Chinese and the Taiwanese who, though a substantial majority (about 85 percent), and economically dominant are still politically impotent. The security apparatus and the strong economic position are expected to retain their stabilizing influence for the duration of Chiang's life. Steps have also been taken to insure the orderly transition of the government to Chiang's son, Chiang Ching-kuo, and an initial transfer is expected to be successful if he survives his father. As a result, there are no immediate prospects for the overthrow of the Chiang government.

(S/NF) The Armed Forces military strength as of 1 January 1969 was as follows:

Army	369,400 <sup>1/</sup>
Navy	38,600
Marine Corps	36,200
Air Force	83,100
Ministry of National Defense	43,700
Combined Service Forces	7,600
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TOTAL	578,600

<sup>1/</sup> Includes approximately 20,000 assigned on rotation to the Taiwan Garrison Command for use in internal Security.

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I. REPUBLIC OF CHINA

1. (Continued)

(S/NF) The Army's tactical elements include two field Army headquarters and troops, six corps headquarters and troops, 14 "Forward Look" infantry divisions (US World War II-type organization), six light infantry divisions (cadre strength), two armored divisions, one airborne command, and various types of independent combat units of regimental size or smaller. In addition, there are nine reserve infantry divisions, which are responsible for the conduct of reserve training. The Chinese Army claims that it has over 1,000,000 reservists who are potentially effective in terms of age and training. During FY 1968, approximately 45,000 reservists received refresher training.

(S/NF) There are three Naval Districts encompassing Taiwan, the Penghu, and the Offshore Islands; a Fleet Command, consisting of a Surface Force Command, Fleet Training Command, Service Force Command, Mine Force Command, Amphibious Force Command; a Marine Force of two divisions, and a landing vehicle, tracked (LVT) regiment. Ship strength: six destroyers; six destroyer escorts; 39 patrol; 22 mine warfare; 41 amphibious; 540 minor amphibious; 18 auxiliary; 44 service craft.

(S/NF) Air Force personnel strength includes 1,800 pilots. Under operational control of the Air Force, but not reflected in total strength are 1,705 Army missile troops. The Air Force is organized into 11 tactical fighter squadrons, three all-weather, one reconnaissance, seven transport, one search and rescue, and two flying training squadrons. All, except the transport squadrons, are under the operational control of the Combat Air Command. The seven transport squadrons are controlled directly by General Headquarters, Chinese Air Force. Squadrons are located at eight main airfields: Tainan, Hsinchu, Ching Chuan Kang, Chiai, Taoyuan, Pingtung South, Kangshan, and Sungshan. An antisubmarine warfare (ASW) squadron, with 10 S2A aircraft, is assigned to the Air Force, but under operational control of the Navy. This squadron is approximately 50 percent combat ready, awaiting ASW equipment not integral to the aircraft. Aircraft strength: 574 aircraft, including 420 jet, 148 prop, six helicopters. Current aircraft strength is as follows:

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1. (Continued)

- 3 Fighter Interceptor Squadrons (F104G/UE-16)
- 11 Tactical Strike Squadrons (four F-5 Sq/UE-18; three F-100A Sq/UE-18; four F-86F Sq/UE-25)
- 1 Reconnaissance Squadron with four RF-101, eight RF-104G
- 1 Search and Rescue Squadron with eight HU-16, 6 UH-19
- 7 Transport Squadrons (one sq C-47; two sq C-119G; four sq C-46)
- 1 ASW Squadron with 10 S2A

(S/NF) Deployment of Ground Forces. Of the 14 "Forward Look" infantry divisions, eight are on Taiwan, including one assigned to the Taiwan Garrison Command. There are four light infantry divisions on Taiwan, also used by the Garrison Command, and one Marine Corps division. The Penghu Defense Command is assigned one light division and one Marine Corps division. The Kinmen (Quemoy) Defense Command has five "Forward Look" infantry divisions, and the Matsu Defense Command is composed of one "Forward Look" and one light infantry division, as well as elements of the paramilitary Anticommunist National Salvation Corps of approximately regimental strength, mostly on Tung Yin Island. Nearly one-half of the GRC ground forces, including some of its best divisions, have been positioned on the Offshore Islands.

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2. What is the state of the GRC economy and what are its prospects for growth? How much does the high level of military expenditures affect GRC economic prospects? What is the likelihood of Chiang agreeing to a reduction in his armed forces in exchange for their modernization?

(S) Over recent years, Taiwan has achieved sustained and rapid economic growth. The average annual increase for the period 1963-1967 in real gross national product was 10.2 percent. Per capita income reached \$247 in 1967, exceeding all other developing Asian countries except Malaysia, Singapore, and Hong Kong.

(S) Further growth of Taiwan's economy, however, will be dependent on an expansion of trade, particularly as she has only limited natural resources and a small home market.

(S) Rapid economic growth has been maintained in recent years with foreign assistance in spite of relatively high defense expenditures. Taiwan's foreign exchange position is strong and their expenditures for imports of military equipment have been relatively small. However, since grant US MAP deliveries are decreasing, the Chinese will have to set aside larger amounts of foreign currency for foreign military equipment, as well as for operations and maintenance items, and this could curtail the rate of growth over the next few years.

(S) The likelihood of Chiang agreeing to a reduction in his Armed Forces in exchange for their modernization is reportedly dependent upon maintaining current combat capability. However, his recent actions indicate his increased awareness of the desirability of shifting financial resources from defense to on-going social and economic programs. The passage of time and a gradual realization that there will be no military "return to the mainland" could also affect Chiang's appreciation of the need to reduce current force levels. He probably will find little difficulty in agreeing to some force reductions in exchange for modernization and this subject is currently under consideration by Chinese authorities. Substantial force reductions, however, probably will require US

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agreement to more than token modernization. They may depend on a US agreement to provide an improved military production capability to the Government of the Republic of China or, alternatively, participation in a joint US-GRC aircraft production undertaking.

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3. What are Chiang's intentions towards the mainland? Does he really intend to "return to the mainland"? Under what circumstances would he launch an attack? Will the current GRC ever accept a two-China policy, de jure or de facto?

(S) President Chiang continues to publicly justify the requirement and intent of the Government of the Republic of China (GRC) to regain control of the mainland, but it is extremely doubtful that he seriously intends to initiate a military attack by his forces alone to achieve that objective. The lack of success of the GRC attempts to organize a resistance movement on the mainland or even to develop a small base of operations there has probably convinced him of the futility of such an undertaking.

(S) A GRC decision to attack the mainland would be made only if circumstances clearly promised success. Conditions which would support the strong likelihood of success include a positive US commitment of air and naval support, extreme political turmoil or civil war on the mainland, the outbreak of hostilities between Communist China and the USSR, and the development of strong "regionalism" within China resulting in autonomous and competing local governments. In any event, the GRC lacks the military capability to exploit a successful attack.

(S) The current GRC has established a solid, unwavering position of opposition to a two-China policy, de jure or de facto. There may be a few members of the GRC, some possibly in positions of high responsibility, who would accept a de facto two-China policy, or would even accommodate to a de jure two-China policy, if assured of the maintenance of their independence. Even so, there probably is no circumstance under which the GRC under President Chiang's leadership, would accept a two-China policy.

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4. Will the policies and attitudes of the Chinese Government change radically after Chiang's death? Besides CCK, who are the most important future leaders? Will they share Chiang's dedication to "return to the mainland"?

(S/NF) The political situation on Taiwan is expected to remain stable while Chiang Kai-shek is still alive, although many factors are now operating which could alter the situation after his death. If Chiang Ching-kuo, the heir apparent, survives his father, he will take over effective control of the government and probably continue the policies of the present government at least for some time. The Government of the Republic of China (GRC) has long depended on one-man rule and, in fact, beyond Chiang Ching-kuo, there is no clearly defined group which could assume power if he were to pass from the scene. There has been no development of second echelon leaders. There is insufficient information to enable us to pinpoint likely successors if Chiang Ching-kuo were to die. This is because Chiang Ching-kuo has become so predominant. It is also difficult to identify other key personalities due to the importance of personal loyalties as opposed to mere official position. In this connection, Vice President Yen Chia-kan might be used as a figure-head, but despite his popularity, he is considered to have no personal power-base. The most likely candidate for leadership in the event of Chiang Ching-kuo demise probably would come from the military or security apparatus. In all likelihood, no clear successor would emerge, and the resultant jockeying for position could lead to a condition of extreme instability.

(S/NF) Although progress in Taiwan's economy has been good, it is heavily dependent on foreign trade and investment and a "two-China" policy could disrupt its trade and foreign investments. The high cost of maintaining a large military establishment is one of the more important factors which must now be seriously confronted if the economy is to continue to progress. The military threat from Communist China, equipped with nuclear missiles, will probably increase. At the same time, the Republic of China's conventional military equipment is obsolescent and, in terms of numbers, will suffer more and more in comparison with its adversary. This is occurring

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at the very time that the United States is reducing its military assistance to the GRC. When Chiang Kai-shek dies, there is bound to be an increase in Taiwanese desire for political participation and influence. Chiang Ching-kuo, or any succeeding government, would thus be confronted with problems of such scope that he might have to take actions differing sharply in some cases with past practice. Assuming that the initial goal would be to preserve the mainlanders' dominance on Taiwan for as long as possible, the new government would probably attempt a pragmatic approach to the problems confronting it. Foreign investment would be strongly encouraged and United States guarantees to observe its treaty commitments would be sought. A continuation of the downgrading of "return to the mainland" plans would probably result. Chiang Ching-kuo will probably maintain, if not increase, the effectiveness of already tight security controls on Taiwanese in general, and of intellectuals in particular. In the long run, this could push Taiwanese-mainlander relations to the breaking point, even if token participation of Taiwanese at high government levels is accomplished. Both the Taiwanese and mainlanders, however, would resist any international pressures to rejoin the mainland under communist control.

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5. Is the GRC likely to develop relations with the USSR? Are we confident of our knowledge in regard to possible GRC overtures to the Soviet Union?

(S/NF) There is evidence that the Government of the Republic of China (GRC) may be more receptive than before to nonofficial contacts with the USSR, but it is unlikely that diplomatic or trade relations will be developed in the foreseeable future.

(S/NF) The GRC has recently reversed its policy on nonassociation of diplomatic personnel with Soviet officials. President Chiang Kai-shek reportedly has directed that government media refrain from direct or extravagant attacks on the USSR on the grounds that the Soviets have recently shown similar restraint. It may be significant that Chiang's speech on New Year's Day, 1969, while attacking Peking and calling Mao "our only national enemy," omitted any criticism of Marxism-Leninism.

(S/NF) It would, however, be difficult for the GRC unilaterally to bring about improved relations with the USSR. Communist China, with a developing nuclear strike capability, constitutes a major problem for the USSR, and a Soviet move toward improved relations with the GRC could seriously escalate that problem. Additionally, the question of UN membership for Communist China, long advocated by the Soviets, constitutes a serious obstacle to the development of GRC-USSR relations.

(S/NF) While we are confident of our knowledge of past actions by the GRC in regard to the improvement of relations with the USSR, it is possible that future GRC overtures to the Soviet Union could occur without our knowledge. We would, in time, become aware of such an action by the GRC, but detailed knowledge might be denied us.

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6. What is the strength of the Taiwan independence movement? What is the state of relations between the Taiwanese and Mainlanders? Have these relations improved? How do the youths in both groups look to the future?

(S/NF) Because of the effective security apparatus of the government, the Taiwan independence movement lacks organization and leadership. Despite economic progress, the predominant share of which is enjoyed by the Taiwanese, oppressive security measures and political exclusion have created latent hostility which could erupt if given a sufficient stimulus and a rallying point. The Taiwanese have not forgotten the repression they suffered in 1947. One important factor in this situation is that 96 percent of the lower ranks of the Army are Taiwanese, whose loyalty to the government in case of a mass uprising is uncertain. In the past several years, relations between the mainlanders and the Taiwanese appear to have remained unchanged, and are perhaps best described as "mutual toleration." Youths of both groups tend to be disaffected with politics, and most concerned with establishing themselves in the relatively booming economy. Many, particularly among the mainlanders, are anxious to find a way to study in the United States, hopefully to remain on a permanent basis. Few seem optimistic about the future of Taiwan and fewer still among the mainlanders feel secure in their positions on the island.

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7. In what circumstances might the GRC agree to withdrawal from the offshore islands?

(S/NF) All sources of intelligence and evaluated views of those who are in a position to know have, without exception, indicated in recent years that there is no prospect of President Chiang Kai-shek agreeing, unless under the most extreme pressure, to the withdrawal of GRC Armed Forces from the Offshore Islands while he remains influential in the conduct of GRC affairs. Although the policies of a successor regime are, of course, somewhat speculative, it appears that there would be no change in the policy, especially during the initial period when the leadership of a new government would be consolidating its position and strength. During this period, the Armed Forces and mainlander group would probably support, if not actually demand, the retention of GRC Armed Forces on the Offshore Islands.

(S/NF) Depending on the degree of internal stability on Taiwan during the initial succession period and on a number of international factors, the GRC eventually might be somewhat more willing to reassess its Offshore Island policy. The degree of political stability on the mainland would be a vital factor as would the mainland's growing military and nuclear strength as compared with that of Taiwan. Much would depend on Communist China's foreign policy at that time - on its relations or nonrelations with others, including the United States and the United Nations. If, for example, some future mainland regime were admitted to the United Nations and presses for the return of the Offshore Islands (as well as Taiwan), the GRC might find itself under strong international pressure to come to some compromise involving the Offshore Islands. A GRC successor government, confronted with instability at home and the chances of war over the Offshore Islands against an infinitely superior Chinese communist force, might seek some face-saving solution at some future date.

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8. Would the GRC agree to have the US develop additional bases or to relocate bases from other areas? How would such use of Taiwan be regarded by Peking? What would Peking do about it?

(S) During future emergencies or crisis situations in the region, the present Government of the Republic of China probably would agree to let the US develop additional bases or to relocate bases from other areas. The development of US air and naval base facilities on Taiwan and the Penghu Islands might be welcomed, but there is less likelihood that the Government of the Republic of China would see a need for the development or relocation of US Army bases. As the present leadership of the Government of the Republic of China passes from the scene, and as the political influence of the Taiwanese portion of the population increases, Government of the Republic of China responsiveness to US leadership will be decreased, and alternatives to a foreign policy in lock-step with US policy will become increasingly acceptable.

(S) The development of additional US bases on Taiwan or the relocation of bases from other areas would probably be regarded by Peking as a hostile act designed to strengthen the military threat against China. Peking would also interpret such use of Taiwan as an indication of a US policy decision to block progress on a possible improvement in US-Chinese communist relations and might be even less likely than at present to accept US proposals to reduce tension in the region.

(S) Apart from increasing the vitriolic propaganda attacks against the United States and the Government of the Republic of China, it is unlikely that Peking would do anything about increased US use of Taiwan for military bases. The probability of a Chinese communist military attack on Taiwan might be decreased, but in the event of a significant buildup Peking might feel compelled to take some military action against the offshore islands of Kinmen and Matsu as a retaliatory measure.

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9. What are the prospects for greater acceptance of the GRC into the Asian community?

(S/NF) The prospects for increased acceptance of the Government of the Republic of China (GRC) into the Asian community depend largely upon the interaction of three factors: The actions of the GRC; those of Communist China; and finally, attitudes and actions of the Asian community as a whole.

(S/NF) The Asian community, especially those countries who have adopted a neutralistic foreign policy and/or have large overseas Chinese communities, has restricted the participation of the GRC in inter-Asian affairs and limited bilateral political relationships. The increased acceptance in the Asian community, which the GRC has enjoyed during the last 10 or so years, has been related primarily to nonmilitary areas, particularly agricultural and industrial development. But the burden of defense expenditures currently restricts GRC capabilities for internal economic development and, thus, inhibits expansion of trade and contacts with noncommunist Asian nations which could lead to increased GRC influence and involvement in the Asian community. The unsettled CPR/GRC situation is also an inhibiting influence on prospects for the development of greater trade relations and contacts between the GRC and other members of the Asian community. Despite the economic and industrial progress made by the GRC, a few Asian leaders remain convinced that Communist China is certain to eventually absorb Taiwan. This fatalistic attitude has been an inhibiting factor in overcoming resistance to the acceptance of the GRC by some Asian nations.

(S/NF) The communist Chinese hold that there never can be two Chinas. In their eyes, Taiwan is a province of the mainland and is not a matter of negotiation. The GRC holds a similar view. As a result, Peking will continue to work for the territorial integration of Taiwan and will strive to keep Taiwan as an issue and obstacle to further accommodations between the GRC and other Asian nations. Peking realizes that sooner or later most countries of the world will be faced with the problem of recognizing Communist China. Peking's price for reciprocal Chinese communist recognition is non-recognition of the GRC - a stiff demand. When recognition

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is not the issue, Peking will attempt to use whatever political, social, economic, propaganda, and psychological pressures it can exert on other Asian nations to reduce contacts between Taipei and other Asian capitals. Such a political climate has served to inhibit other Asian nations from developing greater bilateral trade and cultural relations with the GRC.

(S/NF) In view of these circumstances, the prospects for increased acceptance of the GRC into the Asian community are limited, though acceptance may be improved by the future success of current GRC efforts to increase their contributions to regional economic and social progress.

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